



# Health Care Financing Trends

Spring 1980

Information through December 1979 on:

- National Health Expenditures
- Community Hospital Statistics
- Health Care Prices
- Employment, Hours, and Earnings of Health Workers
- National Economic Indicators

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Spring)

Published by the Health Care Financing Administration

## Health Care Financing Trends

The Health Care Financing Administration (HCFA) was established to combine health financing and quality assurance programs into a single agency. HCFA is responsible for the Medicare program, Federal participation in the Medicaid program, the Professional Standards Review Organization program, and a variety of other health care quality assurance programs.

The mission of the Health Care Financing Administration is to promote the timely delivery of appropriate, quality health care to its beneficiaries—approximately 47 million of the nation's aged, disabled, and poor. The Agency must also ensure that program beneficiaries are aware of the services for which they are eligible, that those services are accessible and of high quality, and that Agency policies and actions promote efficiency and quality within the total health care delivery system.

HCFA's Office of Research, Demonstrations, and Statistics (ORDS) conducts studies and projects that demonstrate and evaluate optional reimbursement, coverage, eligibility, and management alternatives to the present Federal programs. ORDS also assesses the impact of HCFA programs on health care costs, program expenditures, beneficiary access to services, health care providers, and the health care industry. In addition, ORDS monitors national health care expenditures and prices and provides actuarial analyses on the costs of current HCFA programs as well as the impact of possible legislative or administrative changes in the programs.

**Trends** contains tables and analyses highlighting economic developments in the health care sector. Each quarter recent data are presented on:

- national health expenditures, by type of service and source of funds;
- community hospital statistics, measured by the American Hospital Association;
- consumer price indexes, measured by the Bureau of Labor Statistics;
- employment, hours, and earnings of health workers, also from the BLS; and
- a variety of national economic indicators, such as the Gross National Product and the aggregate rate of unemployment.

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# Health Care Financing Trends

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Compiled by

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## Section A.<sup>1</sup> Personal Health Care Expenditures—A Historical Perspective

Figure 1 conveys a visual impression of the growth of personal health care expenditures since 1960. Overall

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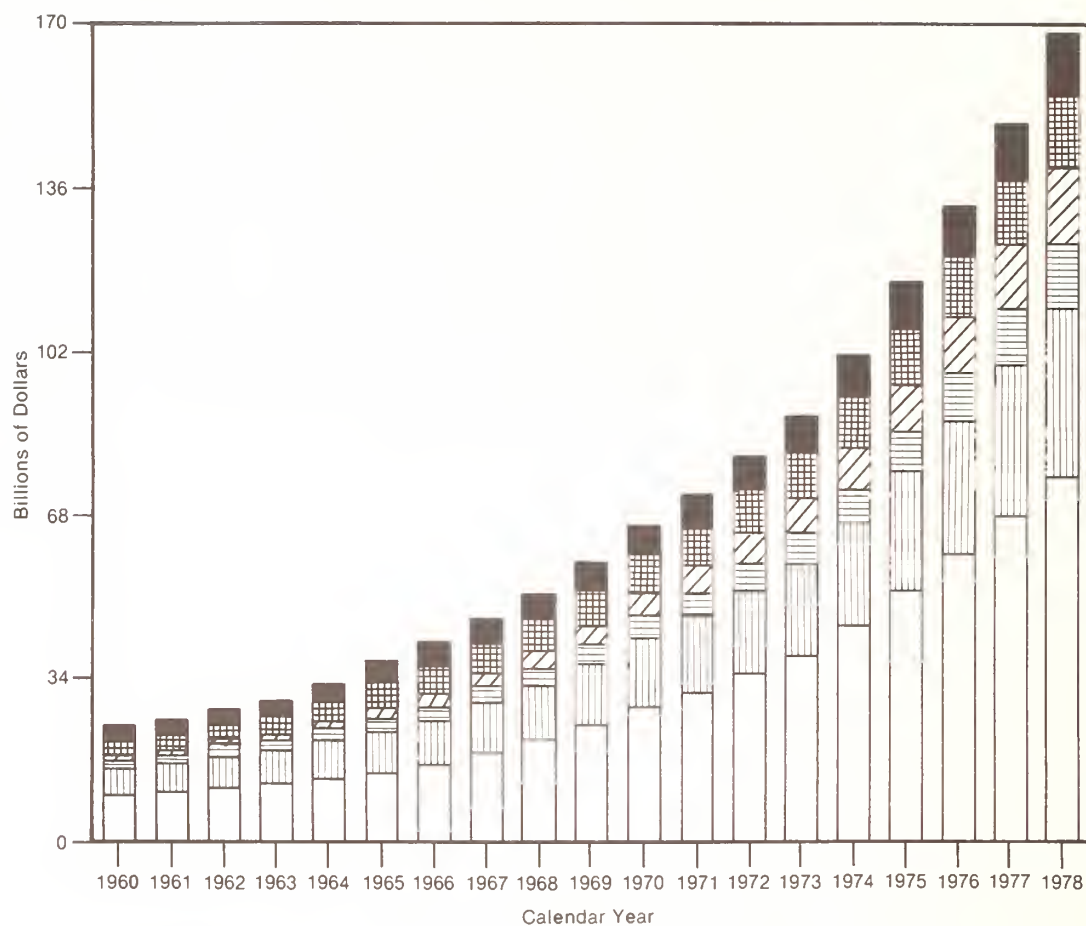
<sup>1</sup> The calendar-year data shown in Tables A-1 through A-5 are condensed from an article in the *Health Care Financing Review* (Gibson, 1979). This issue of *Trends* went to press while ORDS staff members were completing work on revised estimates of national health expenditures covering calendar years 1976-79, and, as a consequence, no data for calendar year 1979 were available. Pending completion of these revised estimates, discussion of data for recent periods must be regarded as preliminary.

In the next issue of *Trends*, revised data for years ending in 1977-1979 will be shown, as well as estimates for the year ending March, 1980.

growth has been at an average annual rate of 11.5 percent and has been especially rapid for those services typically funded by third parties—hospital, physician and nursing home care.

Of equal interest is the source of funds spent on personal health care. As can be seen from Figure 2, prior to the implementation of Medicare and Medicaid in 1966 the brunt of health care costs was borne by consumers themselves; as late as 1965, direct payments accounted for over one-half of all personal health care expenditures. Since that time, rapid growth of the Medicare and Medicaid programs, and of benefits paid by private health insurers (Carroll and Arnett, 1979), has resulted in funding by third parties of two-thirds of personal health care expenditures. In this way, consumers have become increasingly isolated from the direct costs of the provision of health care.

FIGURE 1  
Personal Health Care Expenditures by Type of Service, 1960-78



Hospital services  
Physician services  
Dental services

Sources: Gibson; Cooper, Worthington and McGee

Nursing home  
Drugs and sundries  
Other services



FIGURE 2  
Personal Health Care Expenditures by Source of Funds, 1960-78

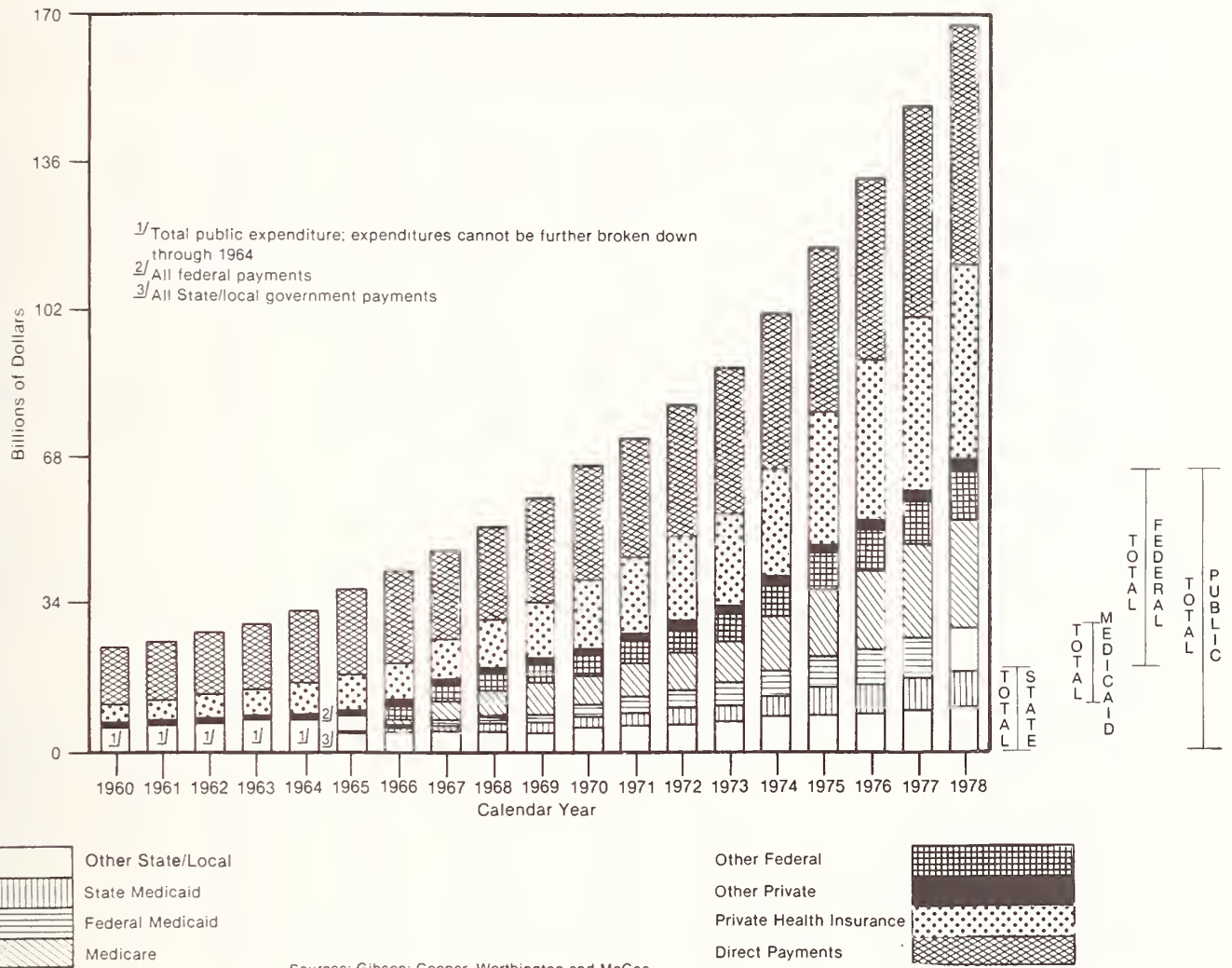


Table A-1. National Health Care Expenditures, by Type of Expenditure

Type of Expenditure	Twelve-month Period Ending						
	December			March	June	September	December
	1976	1977	1978	1979	1979	1979	1979
Amount (billions)							
Total	\$148.9	\$170.0	\$192.4	\$198.4	\$203.7	\$209.2	n.a.
Health services and supplies	140.1	161.2	183.0	188.9	194.1	199.6	
Personal health care	132.1	149.1	167.9	173.5	178.9	184.4	
Hospital care	59.8	67.9	76.0	78.3	80.6	83.1	
Physicians' services	27.7	31.2	35.3	36.4	37.5	38.7	
Dentists' services	10.1	11.7	13.3	13.8	14.2	14.6	
Other professional services	3.2	3.7	4.3	4.4	4.6	4.8	
Drugs and drug sundries	12.8	13.8	15.1	15.5	15.9	16.3	
Eyeglasses and appliances	3.2	3.5	3.9	4.0	4.1	4.2	
Nursing home care	11.5	13.4	15.8	16.4	17.2	18.0	
Other personal health care	3.9	4.0	4.3	4.6	4.6	4.7	
Prepayment/administration expenses	4.2	7.8	10.0	10.1	9.7	9.4	
Government public health activity	3.7	4.3	5.1	5.3	5.5	5.7	
Research and construction	8.8	8.7	9.4	9.6	9.6	9.6	
Research	3.6	3.7	4.3	4.4	4.5	4.5	
Construction of medical facilities	5.3	5.0	5.2	5.2	5.1	5.1	
Addenda: Gross National Product (GNP)	1,702.2	1,899.5	2,127.6	2,197.7	2,254.1	2,313.4	2,368.8
National health expenditure as a share of the GNP	8.7%	8.9%	9.0%	9.0%	9.0%	9.0%	n.a.
Annual Percentage Change							
Total	13.2	14.2	13.2	13.2	12.4	11.9	n.a.
Health services and supplies	13.7	15.1	13.5	13.5	12.8	12.3	
Personal health care	13.6	12.9	12.6	13.1	13.1	13.1	
Hospital care	14.7	13.6	11.9	12.2	12.0	12.1	
Physicians' services	10.9	13.0	12.8	13.3	13.4	13.4	
Dentists' services	23.0	15.0	14.2	14.6	14.1	13.8	
Other professional services	22.3	15.6	15.5	15.8	15.9	16.2	
Drugs and drug sundries	8.4	7.8	9.3	10.1	10.9	11.2	
Eyeglasses and appliances	7.4	7.9	12.3	14.6	15.6	12.2	
Nursing home care	15.8	16.7	17.9	18.2	18.3	18.3	
Other personal health care	4.8	3.5	8.2	12.0	11.3	9.8	
Prepayment/administration expenses	13.1	86.6	27.8	17.6	4.5	-3.1	
Government public health activity	16.7	14.2	19.0	18.6	18.1	17.9	
Research and construction	6.7	-7	7.9	7.5	5.3	3.8	
Research	11.5	4.6	15.4	12.9	10.3	8.7	
Construction of medical facilities	3.7	-4.2	2.4	3.4	1.2	-1	
Addendum: Gross National Product	11.3	11.6	12.0	12.9	12.5	12.2	11.3

n.a. not available

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

Table A-2. Personal Health Care Expenditures, by Type of Expenditure and Source of Funds  
(Billions)

Source of Funds	Twelve-month Period Ending						
	December			March	June	September	
	1976	1977	1978	1979	1979	1979	
Personal Health Care							
Total	\$132.1	\$149.1	\$167.9	\$173.5	\$178.9	\$184.4	n.a.
Private funds	80.5	91.0	102.9	106.3	110.2	113.8	
Public funds	51.6	58.1	65.0	67.1	68.6	70.6	
Federal government	36.3	41.1	46.5	48.1	49.2	50.6	
State and local government	15.3	17.0	18.5	19.1	19.4	20.0	
Hospital Care							
Total	\$59.8	\$67.9	\$76.0	\$78.3	\$80.6	\$83.1	n.a.
Private funds	27.0	31.0	35.1	36.2	37.7	39.0	
Public funds	32.8	36.9	40.9	42.1	43.0	44.1	
Federal government	23.9	27.1	30.3	31.3	32.1	33.0	
State and local government	8.9	9.8	10.6	10.7	10.9	11.1	
Physicians' Services							
Total	\$27.7	\$31.2	\$35.3	\$36.4	\$37.5	\$38.7	n.a.
Private funds	20.6	23.1	25.8	26.6	27.4	28.3	
Public funds	7.1	8.1	9.4	9.8	10.1	10.4	
Federal government	5.1	6.0	7.1	7.3	7.5	7.8	
State and local government	1.9	2.1	2.4	2.5	2.5	2.6	
Other Personal Health Care							
Total	\$44.7	\$50.0	\$56.6	\$58.7	\$60.7	\$62.6	n.a.
Private funds	32.9	36.9	42.0	43.5	45.1	46.5	
Public funds	11.8	13.0	14.7	15.3	15.6	16.1	
Federal government	7.3	8.0	9.1	9.4	9.6	9.9	
State and local government	4.5	5.1	5.6	5.9	6.0	6.3	

not available

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

Table A-3. Personal Health Care Expenditures per Capita, by Type of Expenditure and Source of Funds

Source of Funds	Twelve-month Period Ending						
	December			March	June	September	December
	1976	1977	1978	1979	1979	1979	1979
Personal Health Care							
Total	\$602	\$674	\$753	\$776	\$798	\$822	n.a.
Private funds	367	412	461	476	492	507	
Public funds	235	263	292	300	306	315	
Federal government	165	186	209	215	220	226	
State and local government	70	77	83	85	87	89	
Hospital Care							
Total	\$273	\$307	\$341	\$350	\$360	\$370	n.a.
Private funds	123	140	157	162	168	174	
Public funds	149	167	183	188	192	196	
Federal government	109	123	136	140	143	147	
State and local government	41	44	47	48	49	49	
Physicians' Services							
Total	\$126	\$141	\$158	\$163	\$167	\$172	n.a.
Private funds	94	105	116	119	123	126	
Public funds	32	37	42	44	45	46	
Federal government	23	27	32	33	34	35	
State and local government	9	10	11	11	11	12	
Other Personal Health Care							
Total	\$204	\$226	\$254	\$263	\$271	\$279	n.a.
Private funds	150	167	188	194	201	207	
Public funds	54	59	66	68	70	72	
Federal government	33	36	41	42	43	44	
State and local government	21	23	25	26	27	28	
Addendum: population (thousands)	219,318	221,124	222,995	223,537	223,998	224,406	224,900

n.a. not available

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

Table A-4. Percentage Distribution by Source of Funds, for Selected Types of Personal Health Care Expenditures

Source of Funds	Twelve-month Period Ending							
	December			March 1979	June 1979	September 1979		December 1979
	1976	1977	1978					
Personal Health Care								
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	n.a.	
Private funds	60.9	61.0	61.3	61.3	61.6	61.7		
Public funds	39.1	39.0	38.7	38.7	38.4	38.3		
Federal government	27.5	27.6	27.7	27.7	27.5	27.5		
State and local government	11.6	11.4	11.0	11.0	10.9	10.8		
Hospital Care								
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	n.a.	
Private funds	45.2	45.6	46.2	46.3	46.7	47.0		
Public funds	54.8	54.4	53.8	53.7	53.3	53.0		
Federal government	39.9	40.0	39.9	40.0	39.8	39.7		
State and local government	14.9	14.4	13.9	13.7	13.5	13.3		
Physicians' Services								
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	n.a.	
Private funds	74.5	74.1	73.2	73.1	73.2	73.2		
Public funds	25.5	25.9	26.8	26.9	26.8	26.8		
Federal government	18.6	19.2	20.0	20.2	20.1	20.1		
State and local government	7.0	6.8	6.7	6.8	6.7	6.7		
Other Personal Health Care								
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	n.a.	
Private funds	73.7	73.9	74.1	74.0	74.3	74.2		
Public funds	26.3	26.1	25.9	26.0	25.7	25.8		
Federal government	16.3	15.9	16.1	16.0	15.8	15.8		
State and local government	10.1	10.2	9.9	10.0	9.9	10.0		

n.a. not available

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration



Table A-5. Personal Health Care Expenditures in Current and Constant Dollars, and Factors Affecting Growth

	Twelve-month Period Ending						
	December			March	June	September	December
	1976	1977	1978	1979	1979	1979	1979
Levels							
Personal health care expenditures							
Billions of current dollars	132.1	149.1	167.9	173.5	178.9	184.4	n.a.
Billions of 1972 dollars	94.2	98.1	101.9	103.1	103.9	104.7	n.a.
Implicit price deflator *	140.2	152.1	164.8	168.3	172.1	176.1	n.a.
Annual Percentage Change							
Personal health care expenditures							
Current dollars	13.6	12.9	12.6	13.1	13.1	13.1	n.a.
1972 dollars	3.9	4.1	3.9	4.3	4.0	3.6	n.a.
Population	.9	.8	.8	.8	.8	.9	.9
Distribution of Annual Growth Among Factors							
All factors	100%	100%	100%	100%	100%	100%	n.a.
Prices	70	67	68	66	68	71	
Population	7	7	7	7	7	7	
Intensity	23	26	25	27	25	22	

n.a. not available

\* Implicit Price Deflator Health Care Expenditure. See [1].

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration



## Section B. Selected Community Hospital Statistics from the National Hospital Panel Survey <sup>2</sup>

Average community hospital admissions reported by the American Hospital Association grew 2.7 percent between calendar years 1978 and 1979. This movement reflected continuing increases in the growth of hospital use, a trend that began in the year ending September, 1977. Inpatient days increased 1.6 percent from the previous year, while the average length of stay (approximated by the ratio of inpatient days to admissions) decreased 1.0 percent. Adjusted patient-days, which reflect both inpatient and outpatient services, grew 1.7 percent, a rate higher than the .9 percent growth of the U.S. population.

The average number of available beds increased .6 percent in 1979, extending a downward trend in the growth of capacity that began in the year ending September, 1977. The adult occupancy rate was 74.5 percent, slightly above the rates experienced in 1977 and 1978.

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<sup>2</sup> The monthly National Hospital Panel Survey is conducted by the American Hospital Association (AHA) of a sample of community hospitals (stratified by size and geographic location) drawn from the membership of the AHA. Survey results are reported in *Hospitals, J.A.H.A.*, a biweekly magazine published by the AHA. Community hospitals comprise "all nonfederal short-term general and other specific hospitals—excluding hospital units of institutions [after 1971]—whose facilities and services are available to the public." (*Hospital Statistics*, 1978 Edition; AHA, Chicago) For the most recent comparison of the panel survey data and statistics from the AHA Annual Survey of Hospitals, see Bisbee and Bachofer (1979).

Community hospital operating expenses grew 13.4 percent, confirming a slight upward trend in growth which began in the year ending March, 1979. Yet despite that upward trend, growth in expenses was still among the lowest since early in 1974, prior to the end of the Economic Stabilization Program. Growth of payroll expenses increased to a rate of 13.1 percent, and annual growth of nonpayroll expenses (which include employee fringe benefits) increased to a rate of 13.8 percent. The latter growth reflects recent acceleration in the price inflation of commodities (such as food and energy), as well as increases in short-term interest rates; still, the rate was among the lowest since 1966. Expense per adjusted patient-day was about \$225, 11.5 percent above the previous year, continuing the slowdown of annual growth which began in mid-1977. Changes in expense per patient-day are attributable to changes in "intensity"—for example, the mix of services performed or the levels of technology employed—and to changes in prices. Based on analysis using the National Hospital Input Price Index (see Table C-3), changes in intensity have accounted for less than the long-run average of approximately one-third of the growth in expense per patient-day.

Average full-time equivalent (FTE) employment in community hospitals was 3.5 percent higher than in the previous year, extending the slowdown of growth which began in mid-1976. The ratio of FTE personnel to beds, exhibiting a similar growth trend, increased 2.9 percent, approximately the same rate as for calendar year 1978.

Table B-1. Selected Community Hospital Statistics from the National Hospital Panel Survey

Statistic	Twelve-month Period Ending						
	December			March	June	September	December
	1976	1977	1978	1979	1979	1979	1979
Level							
Utilization:							
Beds (thousands)	933	945	954	957	958	959	959
Admissions (thousands)	34,532	35,404	35,561	35,812	35,969	36,249	36,508
Inpatient days (thousands)	254,601	256,429	256,708	257,386	258,102	259,361	260,792
Adjusted patient days (thousands)	289,466	292,708	294,482	295,479	296,525	297,942	299,531
Adult occupancy rate	74.5%	74.3%	73.7%	73.7%	73.8%	74.1%	74.5%
Adult length of stay (days)	7.4	7.2	7.2	7.2	7.2	7.2	7.1
Operating expenses:							
Total (millions)	\$45,842	\$53,006	\$59,802	\$61,679	\$63,611	\$65,612	\$67,833
Payroll (millions)	\$23,378	\$26,523	\$29,828	\$30,685	\$31,649	\$32,638	\$33,722
Nonpayroll (millions)	\$22,464	\$26,483	\$29,974	\$30,994	\$31,962	\$32,974	\$34,111
Per adjusted patient-day	\$158.37	\$181.09	\$203.08	\$208.74	\$214.52	\$220.22	\$226.46
Full-time equivalent personnel:							
Total (thousands)	2,436	2,559	2,655	2,678	2,700	2,723	2,747
Per bed	2.6	2.7	2.8	2.8	2.8	2.8	2.9
Annual Percentage Change							
Utilization:							
Beds	3.0	1.3	.9	1.0	1.0	.7	.6
Admissions	3.4	2.5	.4	1.3	1.4	2.0	2.7
Inpatient days	3.2	.7	.1	.5	.6	1.0	1.6
Adjusted patient days	3.6	1.1	.6	1.0	1.1	1.3	1.7
Adult occupancy rate	-.1 *	-.2 *	-.6 *	-.4 *	-.2 *	.2 *	.8 *
Adult length of stay	-.1	-1.8	-.3	-.8	-.7	-1.0	-1.0
Operating expenses:							
Total	19.1	15.6	12.8	12.9	13.0	13.1	13.4
Payroll	15.7	13.5	12.5	12.2	12.6	12.7	13.1
Nonpayroll	22.9	17.9	13.2	13.5	13.4	13.5	13.8
Per adjusted patient-day	15.0	14.3	12.1	11.8	11.7	11.6	11.5
Full-time equivalent personnel:							
Total	6.1	5.1	3.7	3.6	3.6	3.5	3.5
Per bed	3.1	3.7	2.8	2.6	2.7	2.7	2.9

\* period-to-period change in percentage

Source: Hospital Data Center, American Hospital Association

## Section C. Medical Care Prices

Average medical care prices measured by the Consumer Price Index (CPI) grew 9.3 percent during calendar year 1979—two percentage points less than growth in the general price level (Table C-2). The cumulative growth of medical care prices since calendar year 1967 was still greater than that of the general price index (the CPI for all items), as indicated by a relatively higher index value for calendar year 1979 (Table C-1). However, recent acceleration of housing and gasoline prices had a much more inflationary effect on the all-items index, so that general price growth outpaced growth of medical prices for the first time since the Economic Stabilization Program (ESP) of 1971-1974.

As has been true historically, prices of medical commodities (mainly prescription and nonprescription drugs) grew less than either medical service prices or prices in general. However, beginning in the year ending June, 1979, overall CPI growth was faster than that of medical services, a reversal of historical relationships. In the post-ESP period, hospital room rates—one component of medical services—had been growing as much as 8 percentage points faster than the CPI for all items (calendar years 1975 and 1976); that spread had disappeared by calendar year 1979 (see Figure 3).

Part of the resistance to acceleration shown by the medical care CPI, compared to the CPI for all items, may be explained by the Voluntary Effort program to hold down prices and costs without Federal interven-

tion. Further, inflation of food, gasoline, and housing prices affect the health sector much less than they affect the typical family for which the CPI is designed.

For a more complete discussion of Consumer Price Indexes, see Bureau of Labor Statistics, *CPI Detailed Report*.

The inappropriateness of the CPI as a measure of institutional price experience led HCFA to develop the National Hospital Input Price Index (Freeland, Anderson, and Schendler, 1979). This index is similar in nature to the CPI but is designed to reflect prices faced by hospitals rather than by consumers. For calendar year 1979, the average level of the index was 10.1 percent higher than the previous year, extending an upward trend in the rate of growth which began in the year ending September, 1978 (Table C-3). Rapid acceleration of nonlabor input prices, especially energy prices, and increases in short-term interest rates were responsible for the increase in the annual growth of the index.

HCFA has also constructed a comparable index for skilled nursing homes. Growth in this index leveled off at 9.5 percent for the years ending in June, 1979, in September, 1979, and in December, 1979, following a very marked upward trend from an annual rate of 6.5 percent in calendar year 1977. Due to changes in the minimum wage, labor costs exerted upward pressure on the aggregate growth rates of twelve-month periods early in 1979; more than one third of nursing home employees earn wages at or near the Federal minimum. By the year ending in September, however, nonlabor prices (particularly fuel and food prices) were providing the major stimulus to inflation.

**FIGURE 3**  
Annual Percentage Change in Selected Average Consumer Price Indexes,  
1972-1979

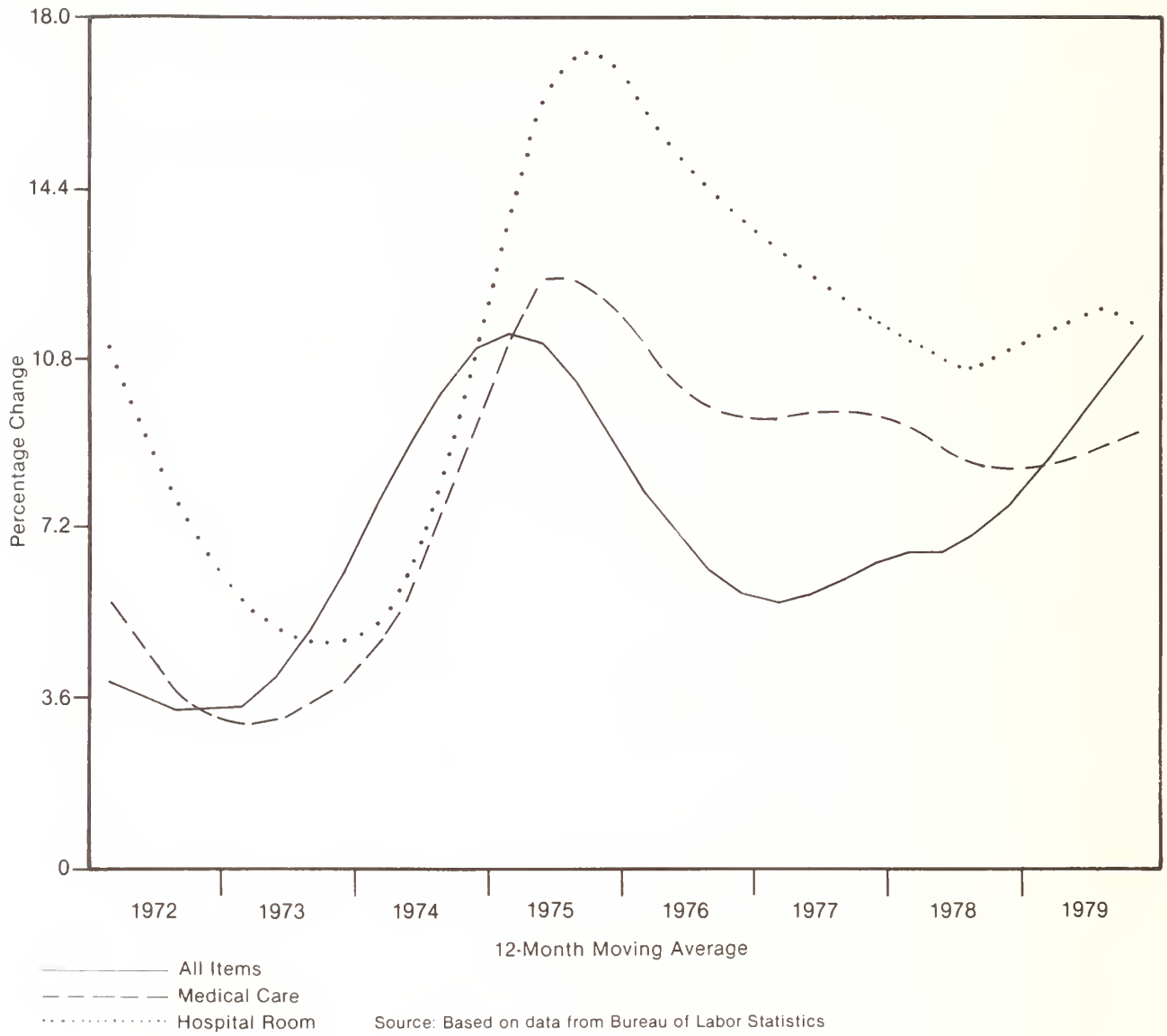


Table C-1. Average Medical Care Consumer Price Indexes for All Urban Consumers  
(Calendar Year 1967 = 100.0 Unless Noted)

Index Item	Twelve-month Period Ending						
	December			March	June	September	December
	1976	1977	1978	1979	1979	1979	1979
All items	170.5	181.5	195.4	200.1	205.2	211.0	217.4
All items less medical care	169.7	180.3	194.0	198.6	203.8	209.6	216.1
Apparel and upkeep	147.6	154.2	159.6	161.2	162.8	164.6	166.6
Energy	189.3	207.3	220.4	226.1	237.2	255.2	275.9
Food	180.8	192.2	211.4	217.8	223.7	229.1	234.5
Housing: shelter	179.0	191.1	210.4	216.5	223.2	230.7	239.7
Medical care	184.7	202.4	219.4	224.2	229.1	234.3	239.7
Medical care services	197.1	216.7	235.4	240.9	246.4	252.2	258.3
Professional services	179.4	194.1	208.8	213.1	217.5	222.2	226.8
Physicians' services	188.5	206.0	223.1	227.9	232.8	238.2	243.6
Dental services	172.2	185.1	198.1	202.1	206.3	210.5	214.8
Other professional services *			104.0	105.9	107.6	109.5	111.1
Other medical care services **	218.5	244.2	267.6	274.5	281.3	288.5	296.4
Hospital and other medical services *			106.2	109.0	111.8	114.6	117.6
Hospital room	268.6	299.5	332.4	342.1	351.7	361.1	370.3
Other hospital and medical care services *			105.9	108.5	111.1	113.7	116.8
Medical care commodities	126.0	134.1	143.5	146.0	148.5	151.1	153.8
Prescription drugs	115.2	122.1	131.6	134.1	136.6	139.2	141.8
Nonprescription drugs and medical supplies *			103.6	105.2	106.8	108.6	110.5
Eyeglasses *			102.2	103.3	104.6	106.1	107.8
Internal and respiratory over-the-counter drugs	138.9	148.5	159.0	161.8	164.6	167.6	170.7
Nonprescription medical equipment and supplies *			103.2	104.8	106.2	107.8	109.4

\* December 1977 = 100.0

\*\* Includes hospital and other medical services (nursing homes), and health insurance (not shown separately).

Source: based on data from the Bureau of Labor Statistics, U.S. Department of Labor

Table C-2. Annual Percentage Change in Average Medical Care Consumer Price Indexes for All Urban Consumers

Index Item	Twelve-month Period Ending						
	December			March 1979	June 1979	September 1979	December 1979
	1976	1977	1978				
All items	5.8	6.5	7.7	8.5	9.4	10.3	11.3
All items less medical care	5.5	6.2	7.6	8.5	9.5	10.4	11.4
Apparel and upkeep	3.7	4.5	3.5	3.7	3.8	4.0	4.4
Energy	7.2	9.5	6.3	7.6	11.3	17.9	25.2
Food	3.1	6.3	10.0	11.1	11.5	11.3	10.9
Housing: shelter	5.5	6.8	10.1	10.9	11.8	12.7	13.9
Medical care	9.5	9.6	8.4	8.5	8.7	9.1	9.3
Medical care services	10.1	9.9	8.6	8.8	9.1	9.5	9.7
Professional services	9.1	8.2	7.6	7.7	8.0	8.4	8.6
Physicians' services	11.3	9.3	8.3	8.3	8.5	8.9	9.2
Dental services	6.4	7.5	7.0	7.3	7.6	8.1	8.4
Other professional services							6.8
Other medical care services *	11.0	11.8	9.6	9.8	10.1	10.5	10.8
Hospital and other medical services							10.7
Hospital room	13.8	11.5	11.0	11.3	11.7	11.9	11.4
Other hospital and medical care services							10.3
Medical care commodities	6.1	6.4	7.0	7.0	7.0	7.1	7.2
Prescription drugs	5.4	6.0	7.8	7.8	7.7	7.7	7.8
Nonprescription drugs and medical supplies							6.7
Eyeglasses							5.5
Internal and respiratory over-the-counter drugs	6.8	6.9	7.1	7.1	7.2	7.3	7.4
Nonprescription medical equipment and supplies							6.0

\* Includes hospital and other medical services (nursing homes), and health insurance (not shown separately).

Source: based on data from the Bureau of Labor Statistics, U.S. Department of Labor



Table C-3. The National Hospital Input Price Index and the National Nursing Home Input Price Index

Index Item	Twelve-month Period Ending						
	December			March	June	September	December
	1976	1977	1978	1979	1979	1979	1979
Levels (1977 = 100)							
National hospital input price index	92.5	100.0	108.4	110.8	113.4	116.3	119.3
Labor	92.0	100.0	108.8	111.1	113.7	116.3	119.1
Wages and salaries	92.6	100.0	108.4	110.6	113.1	115.7	118.4
Fringe benefits	87.7	100.0	112.0	114.8	118.0	120.5	123.6
Nonlabor	93.3	100.0	107.7	110.2	113.0	116.2	119.7
National nursing home input price index	93.9	100.0	109.0	111.5	114.0	116.6	119.4
Wages and salaries	94.0	100.0	109.1	111.6	113.8	116.1	118.4
Other	93.7	100.0	108.8	111.5	114.1	117.1	120.6
Annual Percentage Change							
National hospital input price index	8.8	8.1	8.4	8.6	9.1	9.5	10.1
Labor	10.0	8.7	8.8	8.8	9.0	9.1	9.4
Wages and salaries	9.0	8.0	8.4	8.4	8.6	8.9	9.3
Fringe benefits	18.4	14.0	12.0	11.7	11.5	10.6	10.4
Nonlabor	7.2	7.2	7.7	8.4	9.2	10.2	11.1
National nursing home input price index	7.0	6.5	9.0	9.4	9.5	9.5	9.5
Wages and salaries	8.2	6.3	9.1	9.4	9.2	8.9	8.5
Other	5.7	6.7	8.8	9.4	9.8	10.1	10.8

Source: Office of Research, Demonstrations, and Statistics; Health Care Financing Administration

## Section D. Employment, Hours, and Earnings in the Health Care Sector

Calendar year 1979 resulted in some mixed trends in employment, hours, and earnings. Employment in the private nonfarm economy continued to grow, but at a diminishing rate; average weekly hours declined, and the growth of average hourly earnings was unchanged from calendar year 1978. Earnings growth in the private health care sector was unchanged also, but hours remained constant and employment grew steadily. The different trends of the private health sector, compared to the private economy in general, may reflect the relative insulation of the former from general economic conditions (see Section E).

The data in Table D-1 show the levels of employment, hours, and earnings in private (nongovernment) health industry<sup>3</sup> establishments. These data were drawn from the Bureau of Labor Statistics (BLS) "establishment" survey of the private nonagricultural sector, which excludes health-related establishments (hospitals, clinics, and so on) run by government. During calendar year 1979, an average of five million persons were employed on a full-time or part-time basis in that industry; nonsupervisory employees worked a 33-hour week and earned \$5 an hour. Hours in the private health sector were shorter than in the general private economy, and pay was almost a dollar less per hour; the former can be attributed to the relative frequency of part-time jobs, and the latter to the different mixes of occupations and overtime arrangements.

The trends in employment, hours, and earnings since late 1978 (Table D-2) indicate that the nongovernment health sector as a whole was maintaining its relative share of payrolls. Growth in employment, slower in 1978 than for the whole private economy, was higher in calendar year 1979. As mentioned above, hours were unchanged, as was growth of average hourly earnings: 8.4 percent over calendar year 1978.

Growth trends varied greatly among the various types of health establishments, as shown in Table D-2. Employment in nursing homes continued to grow rapidly, while growth of hours and earnings declined. Growth both of employment and of earnings in offices of dentists increased. Although average hourly earnings in offices of dentists still lag behind those in the rest of the economy, dentists have cited tight labor markets and the resulting rapid growth of wages as a significant factor in their pricing decisions (see Section C). Nongovernment hospital patterns were most stable among the major types of health establishments; growth in employment in offices of physicians increased slightly, while hours and earnings growth fell.

<sup>3</sup> 1972 Standard Industrial Classification 80, which excludes establishments controlled by government.

For a more detailed discussion of these and other payroll data, see Bureau of Labor Statistics, *Employment and Earnings*.

A second survey of the workforce, the Current Population Survey (CPS), which is designed to yield information on unemployment and on demographic characteristics of the workforce, also yields information on employment by occupation, covering both the private and the public sector (Table D-3<sup>4</sup>). In this survey of 56,000 households, the employment status of each member of the household over 16 years old is determined; to be considered employed, a person need work only one hour for pay or profit during the survey week. While the survey results are reliable for the primary objectives—measurement of unemployment and description of demographic characteristics of the workforce—the sampling and nonsampling errors associated with employment estimates for some occupations are quite large, and the year-to-year change in these estimates is statistically unreliable, especially for such small detailed occupations as physicians (who comprise less than one half of one percent of the employed workforce).

Although the health professions data from the CPS or "household" survey should not be used to compare two consecutive time periods, they are useful in their own right, for they are the most recent data available for the employment of health professionals. Unlike the establishment data shown in Tables D-1 and D-2, these occupation employment estimates exclude non-medical staff of health-related establishments (such as secretaries and receptionists), and include medical personnel employed by non-health establishments (such as physician-researchers employed by pharmaceutical manufacturers, and nurses employed in on-site health programs in the manufacturing sector). Combining all types of health-related occupations, average employment stood at 4.8 percent of total civilian employment in calendar year 1979. Growth of this aggregate measure of employment was substantially higher than that of total civilian employment, as has been true since 1972, the earliest date for comparable health profession employment data from this source.

For a more comprehensive discussion of employment in health professions, see Chapter II of the Bureau of Health Manpower's *A Report to the President and Congress on the Status of Health Professions Personnel in the United States* (1978).

<sup>4</sup> Also see Table 23, pages 174-175 of the January 1980 *Employment and Earnings*, Bureau of Labor Statistics. Differences between the data shown there and in Table D-3 of *Trends* are due solely to rounding.



Table D-1. Average Employment, Hours and Earnings in Private Health Service Establishments,  
by Selected Type of Establishment

Type of Establishment	Twelve-month Period Ending						
	December			March	June	September	December
	1976	1977	1978	1979	1979	1979	1979
<b>Health services (SIC 80)</b>							
Total number of employees (thousands)	4,350.4	4,583.9	4,808.3	4,865.2	4,922.6	4,981.0	5,040.9
Nonsupervisory employees							
Number of employees (thousands)	3,903.0	4,099.1	4,288.8	4,335.8	4,384.1	4,435.2	4,489.2
Average weekly hours	33.2	33.0	33.0	33.1	33.0	33.0	33.0
Average hourly earnings	\$4.11	\$4.40	\$4.77	\$4.87	\$4.96	\$5.06	\$5.17
<b>Offices of physicians and surgeons (SIC 801)</b>							
Total number of employees (thousands)	613.7	645.9	679.4	687.7	696.6	705.5	714.6
Nonsupervisory employees							
Number of employees (thousands)	517.4	538.5	560.8	565.9	571.7	578.3	585.2
Average weekly hours	33.2	33.5	33.1	33.1	33.0	32.8	32.7
Average hourly earnings	\$4.24	\$4.59	\$4.98	\$5.08	\$5.18	\$5.28	\$5.39
<b>Offices of dentists (SIC 802)</b>							
Total number of employees (thousands)	266.2	286.6	300.3	303.5	307.3	311.4	315.8
Nonsupervisory employees							
Number of employees (thousands)	239.9	255.5	262.0	264.1	267.7	271.5	274.9
Average weekly hours	28.8	28.6	29.0	29.1	29.0	28.9	28.9
Average hourly earnings	\$4.19	\$4.48	\$4.70	\$4.78	\$4.89	\$5.01	\$5.13
<b>Nursing and personal care facilities (SIC 805)</b>							
Total number of employees (thousands)	809.1	860.0	917.5	933.3	948.6	963.5	978.8
Nonsupervisory employees							
Number of employees (thousands)	735.4	780.8	828.3	841.8	855.0	868.0	882.0
Average weekly hours	31.2	31.1	31.2	31.1	31.0	31.0	30.9
Average hourly earnings	\$3.07	\$3.27	\$3.57	\$3.65	\$3.72	\$3.80	\$3.87
<b>Hospitals (SIC 806)</b>							
Total number of employees (thousands)	2,363.2	2,465.2	2,552.8	2,575.9	2,598.4	2,622.4	2,647.5
Nonsupervisory employees							
Number of employees (thousands)	2,145.1	2,236.2	2,329.1	2,351.3	2,372.1	2,394.0	2,418.1
Average weekly hours	34.5	34.0	34.1	34.1	34.1	34.1	34.2
Average hourly earnings	\$4.35	\$4.66	\$5.05	\$5.16	\$5.26	\$5.37	\$5.48
<b>Addendum: all private nonagricultural establishments</b>							
Total number of employees (thousands)	64,511	67,344	70,970	71,903	72,667	73,344	73,870
Nonsupervisory employees							
Number of employees (thousands)	52,897	55,179	58,109	58,854	59,445	59,966	60,358
Average weekly hours	36.1	36.0	35.8	35.9	35.8	35.7	35.7
Average hourly earnings	\$4.86	\$5.25	\$5.69	\$5.81	\$5.93	\$6.05	\$6.17

\* 1972 Standard Industrial Classification (SIC)

Source: based on data from the Bureau of Labor Statistics (Establishment Survey), U.S. Department of Labor

Table D-2. Annual Percentage Change in Average Employment, Hours and Earnings in Private Health Service Establishments, by selected type of establishment

Type of Establishment	Twelve-month Period Ending						
	December			March 1979	June 1979	September 1979	December 1979
	1976	1977	1978				
Health services (SIC 80)							
Total number of employees	5.2	5.4	4.9	4.9	4.8	4.8	4.8
Nonsupervisory employees							
Number of employees	4.8	5.0	4.6	4.5	4.5	4.5	4.7
Average weekly hours	-.6	-.6	.0	.6	.0	.0	.0
Average hourly earnings	7.9	7.1	8.4	8.7	8.5	8.4	8.4
Offices of physicians and surgeons (SIC 801)							
Total number of employees	5.7	5.2	5.2	5.2	5.1	5.1	5.2
Nonsupervisory employees							
Number of employees	4.6	4.1	4.1	4.0	3.9	4.1	4.4
Average weekly hours	-.3	.9	-1.2	-.6	-.6	-.9	-1.2
Average hourly earnings	7.3	8.3	8.5	8.3	8.4	8.2	8.2
Offices of dentists (SIC 802)							
Total number of employees	7.6	7.7	4.8	4.3	4.3	4.7	5.2
Nonsupervisory employees							
Number of employees	7.8	6.5	2.5	2.2	3.0	4.2	4.9
Average weekly hours	-1.0	-.7	1.4	1.7	1.0	.0	-.3
Average hourly earnings	7.7	6.9	4.9	4.8	5.4	7.1	9.1
Nursing and personal care facilities (SIC 805)							
Total number of employees	6.6	6.3	6.7	7.0	6.9	6.8	6.7
Nonsupervisory employees							
Number of employees	6.5	6.2	6.1	6.4	6.5	6.4	6.5
Average weekly hours	.0	-.3	.3	.0	-.3	-.6	-1.0
Average hourly earnings	8.1	6.5	9.2	9.6	9.1	8.9	8.4
Hospitals (SIC 806)							
Total number of employees	3.9	4.3	3.6	3.6	3.6	3.6	3.7
Nonsupervisory employees							
Number of employees	3.4	4.2	4.2	4.0	3.9	3.8	3.8
Average weekly hours	-.6	-1.4	.3	.3	.3	.3	.3
Average hourly earnings	8.2	7.1	8.4	8.6	8.5	8.5	8.5
Addendum: all private nonagricultural establishments							
Total number of employees	3.6	4.4	5.4	5.4	5.1	4.7	4.1
Nonsupervisory employees							
Number of employees	3.7	4.3	5.3	5.3	5.0	4.5	3.9
Average weekly hours	.0	-.3	-.6	.0	-.3	-.6	-.3
Average hourly earnings	7.3	8.0	8.4	8.6	8.8	8.6	8.4

\* 1972 Standard Industrial Classification (SIC)

Source: based on data from the Bureau of Labor Statistics (Establishment Survey), U.S. Department of Labor

Table D-3. Employment of Health Professionals and Workers, by Selected Occupation  
(Thousands of Persons Employed)

Occupation	Twelve-month Period Ending						
	December			March 1979	June 1979	September 1979	December 1979
	1976	1977	1978				
All health-related occupations	4,056	4,218	4,451	4,519	4,543	4,581	4,627
Practitioners	671	724	756	772	771	779	787
Medical & osteopathic physicians	368	403	424	433	431	430	431
Dentists	107	105	117	120	123	129	131
Pharmacists	123	138	136	137	134	133	135
Nurses, dieticians & therapists	1,204	1,285	1,351	1,392	1,426	1,464	1,488
Registered nurses	999	1,063	1,112	1,148	1,173	1,206	1,223
Therapists	159	178	189	194	201	203	208
Health technologists & technicians	436	462	498	503	506	521	534
Clinical laboratory	192	194	208	206	201	209	217
Radiologic	80	85	97	100	106	106	104
Health service workers	1,745	1,747	1,846	1,852	1,840	1,817	1,818
Nursing aides, orderlies and attendants	1,002	1,008	1,037	1,028	1,021	1,014	1,024
Practical nurses	381	371	402	405	397	382	376
Health aides, excluding nursing	240	245	276	281	284	284	282
Dental assistants	122	123	130	138	138	136	134
Addendum: total civilian employment	87,485	90,546	94,373	95,248	95,825	96,437	96,935

Source: based on data from the Bureau of Labor Statistics (Household Survey), U.S. Department of Labor

## Section E. Selected National Economic Indicators

Trends in health prices, utilization, and expenditure cannot be understood without reference to broader economic forces at work in society. This section provides the backdrop of national economic activity to which the health sector can be compared. The national indicators discussed cover output, employment, and prices.

### OUTPUT

The Gross National Product (GNP)—one measure of the dollar value of the output of the U.S. economy—was \$2.4 trillion in calendar year 1979 (Table E-1). In recent periods, annual growth of the GNP has been in the range of 11-13 percent (Table E-2) and has been slower than the annual growth of national health expenditures. Unlike national health expenditures, growth in the GNP is influenced heavily by international flows of goods and services and by changes in business inventories.

Commerce Department analysts also estimate constant-dollar or "real" Gross National Product. This measure specifically removes the effects of price change from the valuation of goods and services produced, so that the growth of real GNP reflects the change of the "physical" output of the economy. Growth of real GNP slowed to a rate of 2.3 percent for calendar year 1979, a rate well below the average since 1976. This slowdown was rooted particularly in a decline in automobile production and reflected tightening credit conditions and other recessionary forces at work in the economy since mid-1979.

The GNP implicit price deflator reflects the changes of prices and of the composition of output since 1972.

This measure covers many items—such as construction—not covered by health-related price measures, and it subsumes consumer prices, wholesale prices, import prices, and so on. In calendar year 1979, the deflator rose 8.8 percent from the previous year, continuing an upward trend which began in the year ending March, 1977.

For a more detailed analysis of the business situation, as well as for estimates of quarterly GNP, see the Bureau of Economic Analysis, *Survey of Current Business*.

### EMPLOYMENT, HOURS AND EARNINGS

Reflecting the slowdown of growth in real GNP, the aggregate rate of unemployment stopped falling. During calendar year 1979, an average 5.8 percent of all workers were unemployed, compared to 6.0 percent the previous year. In 1979, there was an average of 74 million full-time and part-time jobs held in the private sector. Continuing a long-run downward trend, the average work week of nonsupervisory workers was 35.7 hours, and the rate of growth of average hourly earnings slowed to 8.4 percent. Growth of employment in the private health sector continued at a rate of 4.8 percent, and average hours in the health sector remained constant in the face of an economy-wide decline. [See Section D for more detail.]

### PRICES

As discussed previously in Section C, the annual growth of consumer prices began an upward trend in the year ending June, 1977, reaching a rate of 11.3 percent in calendar year 1979. Annual growth in the Producer Price Index for finished consumer goods, a measure of wholesale prices and a foreshadow of consumer prices, rose even more quickly, to a growth rate of 12.0 percent. [For a detailed discussion of the Producer Price Index, see Bureau of Labor Statistics, *CPI Detailed Report*.]

Table E-1. Selected National Economic Indicators

Indicator	Twelve-month Period Ending						
	December			March	June	September	December
	1976	1977	1978	1979	1979	1979	1979
Gross National Product (GNP)							
Billions of dollars	\$1,702.2	\$1,899.5	\$2,127.6	\$2,197.7	\$2,254.1	\$2,313.4	\$2,368.8
Billions of 1972 dollars	\$1,273.0	\$1,340.5	\$1,399.2	\$1,414.9	\$1,421.7	\$1,428.2	\$1,431.6
Implicit price deflator (1972=100)	133.71	141.70	152.05	155.33	158.55	161.98	165.46
Employment, hours and earnings							
Unemployment rate, all workers	7.7%	7.0%	6.0%	5.9%	5.8%	5.8%	5.8%
Private nonagricultural workers:							
Total number of employees (000)	64,511	67,344	70,970	71,903	72,667	73,344	73,870
Average weekly hours	36.1	36.0	35.8	35.9	35.8	35.7	35.7
Average hourly earnings	\$4.86	\$5.25	\$5.69	\$5.81	\$5.93	\$6.05	\$6.17
Health services * workers:							
Total number of employees (000)	43,504	45,839	48,083	48,652	49,226	49,810	50,409
Average weekly hours	33.2	33.0	33.0	33.1	33.0	33.0	33.0
Average hourly earnings	\$4.11	\$4.40	\$4.77	\$4.87	\$4.96	\$5.06	\$5.17
Prices (1967=100)							
Consumer price Index, all items	170.5	181.5	195.4	200.1	205.2	211.0	217.4
Producer price Index **, Finished consumer goods	169.0	178.9	192.6	197.6	202.7	208.6	215.7

\* 1972 Standard Industrial Classification (SIC) 80

\*\* formerly called the "Wholesale Price Index"

Source: based on data from the Bureau of Economic Analysis, U.S. Department of Commerce; and from the Bureau of Labor Statistics, U.S. Department of Labor

Table E-2. Annual Percentage Change In Selected National Economic Indicators

Indicator	Twelve-month Period Ending						
	December			March	June	September	December
	1976	1977	1978	1979	1979	1979	1979
Gross National Product (GNP)							
Current dollars	11.3	11.6	12.0	12.9	12.5	12.2	11.3
Constant (1972) dollars	5.9	5.3	4.4	4.5	3.8	3.3	2.3
Implicit price deflator	5.2	6.0	7.3	8.0	8.3	8.7	8.8
Employment, hours and earnings							
Unemployment rate, all workers	- .8 †	- .7 †	-1.0 †	- .8 †	- .6 †	- .4 †	- .2 †
Private nonagricultural workers:							
Total number of employees	3.6	4.4	5.4	5.4	5.1	4.7	4.1
Average weekly hours	.0	-.3	-.6	.0	-.3	-.6	-.3
Average hourly earnings	7.3	8.0	8.4	8.6	8.8	8.6	8.4
Health services * workers:							
Total number of employees	5.2	5.4	4.9	4.9	4.8	4.8	4.8
Average weekly hours	-.6	-.6	.0	.6	.0	.0	.0
Average hourly earnings	7.9	7.1	8.4	8.7	8.5	8.4	8.4
Prices							
Consumer price Index, all items	5.8	6.5	7.7	8.5	9.4	10.3	11.3
Producer price Index **, Finished consumer goods	3.3	5.9	7.7	8.8	9.7	10.7	12.0

† period-to-period change in rate

\* 1972 Standard Industrial Classification (SIC) 80

\*\* formerly called the "Wholesale Price Index"

Source: based on data from the Bureau of Economic Analysis, U.S. Department of Commerce; and from the Bureau of Labor Statistics, U.S. Department of Labor



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## Appendix

### Contacts for Further Information (including new telephone numbers)

Under the general supervision of Mary E. Rieder, Acting Director, the following members of the Division of National Cost Estimates (Office of Research, Demonstrations, and Statistics; Health Care Financing Administration) have contributed to the estimates shown in this publication. They are listed by the specific type of service or source of funds for which they provided information.

With the creation of the Department of Education and the subsequent reorganization of the Department of Health and Human Services, Division staff have been relocated within Washington. The new address is:

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Hospital care	Robert Gibson	(202) 245-6594
Professional services	Mark Freeland	(202) 245-6594
	Carol Schendler	(202) 245-6594
Drugs and sundries	Robert Gibson	(202) 245-6594
Eyeglasses	Carol Schendler	(202) 245-6594
Nursing home care	Charles Fisher	(202) 245-6594
Research	Carol Schendler	(202) 245-6594
Health insurance	Marjorie Carroll	(202) 245-7203
	Ross Arnett III	(202) 245-7203
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	Carol Schendler	(202) 245-6594
National Nursing Home Input Price Index	Charles Fisher	(202) 245-6594
	Carol Schendler	(202) 245-6594

Data underlying the estimates shown in this publication have come from a number of sources inside and outside the Federal government. For further information about the tables and descriptions in *Trends* itself, contact the appropriate member of the Division of National Cost Estimates listed earlier. For information outside the scope of *Trends*, see the following.

#### National Hospital Panel Survey

Monthly data are published with a three- to four-month lag in *Hospitals J.A.H.A.*

contact: Peter Kralovec,  
AHA Hospital  
Data Center  
(312) 280-6523

#### Consumer Price Indexes

Monthly data are released around the 25th of the following month and published in *CPI Detailed Report*.

contact: BLS Division of  
Consumer Prices  
and Price Indexes  
(202) 272-5160



## Producer Price Indexes

Monthly data are released on the first Friday of the following month, and are revised four months later. They are published in *Producer Prices and Price Indexes*.

contact: BLS Division of  
Industrial Prices  
and Price Indexes (202) 523-1222

## Employment and unemployment (CPS or Household data)

Monthly data are released on the first Friday of the following month and published in *Employment and Earnings*. Occupation data are published in the January issue.

contact: BLS Office of  
Current Employment  
Analysis (202) 523-1944

## Employment, hours and earnings (Establishment or 790 data)

Monthly data are released on the first Friday of the following month and are revised in two subsequent months and early in the fall. They are published in *Employment and Earnings*.

contact: BLS Division of  
Industry Employment  
Statistics (202) 523-1146

## Gross National Product

Quarterly data are released around the 20th of the month following the end of the quarter and are revised in two subsequent months and in July. They are published in *Survey of Current Business*.

contact: BEA National Income  
and Wealth Division (202) 523-0824

## Medicare and Medicaid data

Availability of data varies with the type of data requested.

contact: ORDS Statistical  
Information Services  
Branch (301) 594-6702

## Abbreviations:

AHA —American Hospital Association  
BEA —Bureau of Economic Analysis, U.S. Department of Commerce  
BLS —Bureau of Labor Statistics, U.S. Department of Labor  
ORDS—Office of Research, Demonstrations, and Statistics; Health Care Financing Administration (U.S. Department of Health and Human Services)



# Health Care Financing Trends

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